



## INSPECTOR GENERAL REPORT

2005-03-0182

September 1, 2005

### DEPARTMENT OF LABOR GHOST EMPLOYMENT

*Inspector General David O. Thomas reports to Governor Mitchell E. Daniels, Jr., as follows:*

In February of 2005, the Department of Labor (DOL) reported to the Office of Inspector General (OIG) that a DOL investigator had been accused of submitting false payroll records. Specifically, an anonymous call had been received by DOL accusing state employee Marilyn Schaab of running her private business on Fridays when she should have been working for the state of Indiana. She was employed by DOL as an investigator of child labor complaints.

An investigation commenced. Members of DOL were interviewed and payroll submissions by Schaab were examined. It was determined that Schaab, in fact, was employed by the state of Indiana through the DOL and that her job was investigating child labor complaints in the Fort Wayne area on behalf of DOL. The credibility of the anonymous caller's information was further corroborated by finding that Schaab owned an antique store in Fort Wayne.

Surveillance was then conducted on Schaab on successive Fridays in May through June of 2005. She was observed entering her private antique store on each successive Friday.

On the second successive Friday, an OIG Special Agent, undercover, entered the antique store. He observed Schaab inside the store and spoke with her about her business. This conversation was recorded.

On the following Friday, the undercover OIG Special Agent again entered the store and spoke with Schaab inside. This interview was videotaped with a device that captured both the visual and audio conversation.

During both recorded interviews, Schaab was engaging in no employment on behalf of the State of Indiana, and to the contrary, was solely running her antique business.

We then obtained Schaab's payroll vouchers submitted to the state of Indiana for work that she was claiming in her official duties as an employee of the State of Indiana. On each of these same Fridays, she claimed 7.5 hours of time on behalf of the State.

Schaab was then confronted by another OIG Special Agent. She was advised of the original allegation and the resulting investigation. Schaab admitted the allegations, that she was working in her private business during the times she was submitting payroll claims on behalf of the State of Indiana.

The reports, videotapes, and remaining evidence were then submitted to the Allen County Prosecuting Attorney's Office. Criminal charges of ghost employment were then filed.

Dated this 1<sup>st</sup> day of September, 2005.

A handwritten signature in cursive script, reading "David Thomas", written over a horizontal line.

David Thomas, Indiana Inspector General